

**Emery County Housing Authority**

**Basic Financial Statements and  
Management's Discussion and Analysis**

**March 31, 2005**

**With Independent Auditors' Report Thereon**

# Emery County Housing Authority

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# Child, Sullivan & Company

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## Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners  
Emery County Housing Authority  
Castle Dale, Utah

We have audited the accompanying financial statements of the business-type activity of the Emery County Housing Authority (the Authority), as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Authority as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners  
Emery County Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II on pages 20 through 24 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. These Schedules are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Child, Sullivan & Company*

Child, Sullivan & Company  
Kaysville, Utah  
December 20, 2005

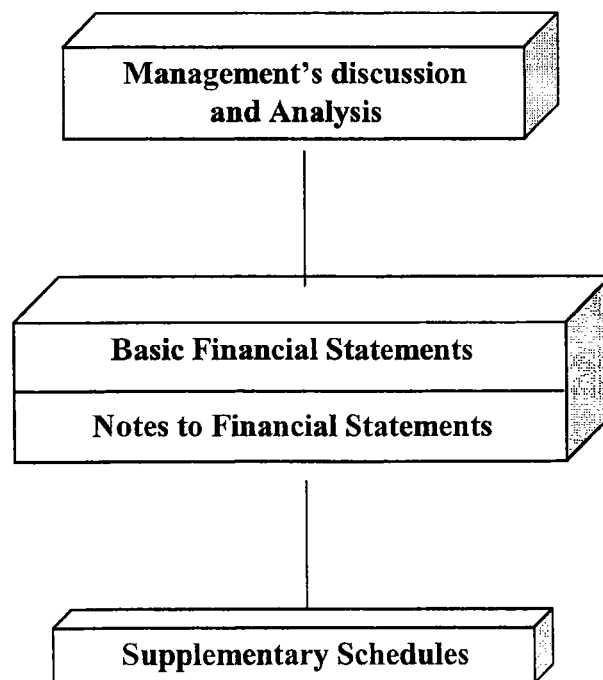
**Emery County Housing Authority  
Management's Discussion and Analysis (MD&A)  
Year Ended March 31, 2005**

**INTRODUCTION**

The Emery County Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Emery County area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the county commissioners of Emery County. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended March 31, 2005, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2005 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**Emery County Housing Authority**  
**Management's Discussion and Analysis (MD&A) (continued)**  
**Year Ended March 31, 2005**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

### **FINANCIAL HIGHLIGHTS**

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2005 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority decreased \$56,659 as of March 31, 2005, from the prior year.
- Operating revenues of the Authority decreased by \$23,822 from prior year results.
- The increase in cash and cash equivalents for the year was \$20,575.
- Current liabilities increased \$16,928 over prior year results.
- Long-term liabilities increased \$17,296 over prior year results.

### **AUTHORITY FINANCIAL STATEMENTS**

The Authority is presenting its FY2005 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets, formerly known as fund equity. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

**Emery County Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended March 31, 2005**

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents four different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2005, the following programs make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Low-Rent Public Housing Program* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing owned by the Authority.
- *Capital Funds Program* – This program is funded by HUD to update and maintain housing owned by the Authority.
- *State/Local Program* – This program accounts for state and local funds received for designated projects. This program generated no revenues during FY2005.

**Emery County Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended March 31, 2005**

**Net Assets**

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Emery County Housing Authority  
Balance Sheet

	2005	2004	Total Percentage Change
Current assets	\$ 178,568	\$ 185,297	(3.6%)
Restricted deposits	771	18,067	(95.7%)
Fixed assets, net of depreciation	698,949	701,058	(0.3%)
Total assets	878,288	904,422	(2.9%)
Current liabilities	34,579	17,651	95.9%
Deposits and prepaid liabilities	4,368	8,067	(45.9%)
Noncurrent liabilities	18,771	1,475	1,172.6%
Total liabilities	57,718	27,193	112.3%
Net assets:			
Invested in capital assets	698,949	701,058	(0.3%)
Restricted net assets	(3,622)	-	N/A
Unrestricted net assets	125,243	176,171	(28.9%)
Total net assets	\$ 820,570	\$ 877,229	(6.5%)

The Authority's total assets at March 31, 2005 were \$878,288, a decrease of \$26,134, or 3.6%, from March 31, 2004.

***Restricted deposits***

Restricted deposits decreased by \$17,296, or 95.7% as of March 31, 2005 compared with March 31, 2004. The primary cause for this decrease was the Authority's using a \$10,000 grant during FY2005, which was restricted as of March 31, 2004 but which was released from restriction during FY2005. The decrease was also due to the public housing program using tenant security deposits to fund program expenses during FY2005.

***Current liabilities***

Current liabilities increased by \$16,928, or 95.9% as of March 31, 2005 compared with March 31, 2004. The primary source of the increase was due to the overpayment of HUD's monthly housing assistance payment during FY2005.



**Emery County Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended March 31, 2005**

***Deposits and prepaid liabilities***

Deposits and prepaid liabilities decreased by \$3,699, or 45.9% as of March 31, 2005 compared with March 31, 2004. The primary cause of the decrease was the Authority's analysis of the actual amount due to the tenants for security deposits, which updated the balance to actual during FY2005.

***Noncurrent liabilities***

Noncurrent liabilities increased by \$17,296, or 1,172.6% as of March 31, 2005 compared with March 31, 2004. The primary cause of the increase was the Authority's adoption of Emery County's policy for accruing compensated absences during FY2005.

***Net Assets***

The Authority's net assets decreased by \$56,659, or 6.5%, during FY2005. At March 31, 2005, investments in capital assets comprise about 79% of the Authority's total assets. The amount invested in capital assets amounts to about 85% of total net assets.

The Authority's net assets also consist of restricted and unrestricted net assets. Restricted net assets include cash restricted for tenants' security deposits and future modernization and development less liabilities that will be paid from these restricted assets. Restricted net assets includes \$771 in restricted cash less liabilities in the amounts of \$4,368 for tenants' security deposits and \$25 in deferred revenue. Unrestricted net assets includes cash in the bank, receivables, and other assets less all other liabilities not previously applied. At March 31, 2005, restricted net assets amounts to about (0.4%) of total net assets and unrestricted net assets amounts to about 15% of total net assets.

**Emery County Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended March 31, 2005**

**Revenues, Expenses and Changes in Net Assets**

The results of operations for the Authority are presented below:

Emery County Housing Authority  
Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004	Increase/(Decrease)	
			Amount	Percentage
Operating revenues:				
Net tenant rental revenue	\$ 8,101	\$ 9,377	\$ (1,276)	(13.6%)
HUD PHA operating grants	408,232	432,267	(24,035)	(5.6%)
Other operating revenue	3,004	1,515	1,489	98.3%
Total operating revenues	<u>419,337</u>	<u>443,159</u>	<u>(23,822)</u>	
Operating expenses:				
Administration	122,212	88,265	33,947	38.5%
Utilities	7,776	5,451	2,325	42.7%
Operating and maintenance	51,342	42,560	8,782	20.6%
Insurance	6,877	5,153	1,724	33.5%
Taxes	32	393	(361)	(91.9%)
Housing assistance payments	247,507	267,377	(19,870)	(7.4%)
Depreciation	40,735	38,674	2,061	5.3%
Total operating expenses	<u>476,481</u>	<u>447,873</u>	<u>28,608</u>	
Operating loss	<u>(57,144)</u>	<u>(4,714)</u>	<u>(52,430)</u>	
Nonoperating revenues:				
Interest income	485	581	(96)	16.5%
Nonoperating revenues, net	<u>485</u>	<u>581</u>	<u>(96)</u>	
Change in net assets	<u>\$ (56,659)</u>	<u>\$ (4,133)</u>	<u>\$ (52,526)</u>	

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2005, the Authority's revenues for its activities totaled \$419,337. Of this total, \$408,232, or about 97%, is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$476,481, of which \$247,507, or about 52%, was housing assistance payments.

About 0.1% of the Authority's total revenues in FY2005 were nonoperating revenues that are derived from interest income. The remaining 99.9% were operating revenues derived from dwelling rentals (1.9%), HUD PHA operating revenues (97.3%), and other operating revenues (0.7%).

**Emery County Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended March 31, 2005**

Operating expenses comprise of administration (25.6%), utilities (2%), operating and maintenance (10.7%), insurance (1%), taxes (less than 0.1%), housing assistance payments (51.9%), and depreciation (8.5%).

Decrease in net assets for the year ended March 31, 2005 was \$56,659 compared with a decrease of \$4,133 for the year ended March 31, 2004. Factors contributing to these results included:

- Increase in administrative fees due to the hiring of an additional administrative employee during FY2005, and adopting a new policy of accruing compensated absences.
- Increase in operating and maintenance expenses due to the continuing repairs and upkeep required on the properties owned by the Authority.
- Decrease in HUD operating subsidies in relation to the decrease in corresponding housing assistance payments.

**CAPITAL ASSETS**

The Authority's capital assets as of March 31, 2005, included land, buildings, and furniture and equipment that totaled \$698,949, most of which consists of rental units available for lease to low- and moderate-income residents. Capital assets, net of depreciation, decreased \$2,109 from the preceding year.

	2005	2004	Change
Land	\$ 91,680	\$ 91,680	\$ -
Buildings	969,668	969,668	-
Furniture and equipment – dwellings	28,443	27,824	619
Furniture and equipment – administrative	24,908	20,562	4,346
Leasehold improvements	362,828	361,939	889
Construction in progress	17,500	-	17,500
Total net assets	1,495,027	1,471,673	23,354
Accumulated depreciation	(796,078)	(770,615)	(25,463)
Total	<u>\$ 698,949</u>	<u>\$ 701,058</u>	<u>\$ (2,109)</u>

**CONTACTING AUTHORITY MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Emery County Housing Authority, P.O. Box 551, 95 East Main Street, Room 115, Castle Dale, UT 84513.

**Emery County Housing Authority**  
**Balance Sheet**  
**March 31, 2005**

**ASSETS**

Current Assets:

Cash - unrestricted (Note 2)	\$ 115,439
Accounts receivable - HUD	51,559
Accounts receivable - miscellaneous	8,045
Accounts receivable - tenants	326
Prepaid expenses and other assets	3,199
Total current assets	<u>178,568</u>

Restricted Deposits: (Note 2)

Cash - restricted	25
Cash - tenants' security deposits	746
Total restricted deposits	<u>771</u>

Fixed Assets: (Note 3)

Land	91,680
Buildings	969,668
Furniture and equipment - dwellings	28,443
Furniture and equipment - administrative	24,908
Leasehold improvements	362,828
Construction in progress	17,500
Total fixed assets	<u>1,495,027</u>
Accumulated depreciation	<u>(796,078)</u>
Net fixed assets	698,949

Total assets

\$ 878,288

**LIABILITIES AND FUND BALANCE**

Current Liabilities:

Accounts payable	\$ 3,527
Accounts payable - HUD	23,645
Accounts payable - other government	33
Accrued wages and payroll taxes	5,629
Accrued compensated absences - current	1,720
Deferred revenue	25
Total current liabilities	<u>34,579</u>

Deposits and Prepaid Liability:

Tenant security deposits	4,368
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Long-Term Liabilities:

Accrued compensated absences-noncurrent portion	18,771
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Total liabilities

57,718

**FUND BALANCE**

Invested in capital, net of related debt	698,949
Restricted net assets	(3,622)
Unrestricted net assets	125,243
Total fund balance	<u>820,570</u>

Total liabilities and fund balance

\$ 878,288

See accompanying notes to financial statements.

**Emery County Housing Authority  
Statement of Revenues, Expenses,  
and Changes in Net Assets  
Year Ended March 31, 2005**

**OPERATING REVENUES**

Net tenant rental revenue	\$ 8,101
HUD PHA operating grants	408,232
Other income	<u>3,004</u>
Total operating revenues	<u>419,337</u>

**OPERATING EXPENSES**

Administrative	122,212
Utilities	7,776
Operating and maintenance	51,342
Insurance	6,877
Taxes	32
Housing assistance payments	247,507
Depreciation	<u>40,735</u>
Total operating expenses	<u>476,481</u>
Operating loss	(57,144)

Non-operating revenues:

Investment income - unrestricted	<u>485</u>
Net non-operating revenues	<u>485</u>

Change in net assets	(56,659)
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Net assets at beginning of year	<u>877,229</u>
Net assets at end of year	<u><u>\$ 820,570</u></u>

See accompanying notes to financial statements.

**Emery County Housing Authority**  
**Statement of Cash Flows**  
**Year Ended March 31, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

HUD PHA operating grants	\$ 460,358
Other operating revenues	9,928
Interest	485
Total receipts	<u>470,771</u>
Administrative	30,283
Utilities	7,776
Salaries and employee benefits	71,015
Operating and maintenance	51,342
Taxes	392
Insurance	6,877
Tenants' security deposits	(3,622)
Housing Assistance Payments	247,507
Total disbursements	<u>411,570</u>
Net cash provided by operating activities	<u>59,201</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of fixed assets	(38,626)
Net cash used in investing activities	<u>(38,626)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

-

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

-

Net increase in cash and cash equivalents	20,575
Cash and cash equivalents at beginning of year	94,864
Cash and cash equivalents at end of year	<u>\$ 115,439</u>

**NONCASH INVESTING AND FINANCING ACTIVITIES**

Disposal of fully depreciated fixed assets	\$ 15,272
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See accompanying notes to financial statements.

**Emery County Housing Authority**  
**Statement of Cash Flows (continued)**  
**Year Ended March 31, 2005**

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ (56,659)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	40,735
(Increase) decrease in assets:	
Cash - restricted	9,975
Accounts receivable - HUD	28,481
Accounts receivable - miscellaneous	(1,500)
Accounts receivable - tenants	323
Tenants' security deposits	7,321
Increase (decrease) in liabilities:	
Accounts payable	(221)
Accounts payable - HUD	23,645
Accounts payable - other government	(360)
Accrued wages and payroll taxes payable	2,284
Accrued compensated absences	18,851
Tenants security deposits	(3,699)
Deferred revenue	(9,975)
Net cash provided by operating activities	<u>\$ 59,201</u>

See accompanying notes to financial statements.

**Emery County Housing Authority**  
**Notes to Financial Statements**  
**Year Ended March 31, 2005**

**1. Summary of Significant Accounting Policies**

Organization and History

The Emery County Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The programs; Section 8 Housing Choice Vouchers, Low-Rent Public Housing, and Capital Funds, are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. Management of the Authority and Emery County (the County) has determined that the Authority is not a component unit of the County or any other government entity under the criteria of GASB No. 14, as amended by GASB No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority.

Additionally, management is not aware of other government entities that should be included with the Authority's financial statements as component units in accordance with GASB No. 14, as amended by GASB No. 39.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.



**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**Management's Discussion and Analysis (new in the current year)** – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

**Balance Sheet** – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

**Statement of Cash Flows** – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at March 31, 2005 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits and restricted cash.

Fixed Assets

Fixed assets are carried at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5-40 years. Construction in progress commences depreciation when construction of the asset is complete. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and improvements are capitalized as fixed assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Deposits**

Deposits – Utah State law requires that the Authority's deposits be made with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any financial institution that has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of capital that an institution must maintain to be eligible to accept public funds.

At March 31, 2005, the carrying amount of the Authority's deposits was \$116,210, and the bank balance was \$116,641. Of the bank balance, \$100,000 was covered by federal depository insurance and \$16,641 was uncollateralized and uninsured.

The Authority's deposits are categorized to give an indication of the level of risk assumed at March 31, 2005. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Authority or its agent in the Authority's name.

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2005**

**2. Deposits (continued)**

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 - Uncollateralized and uninsured

Deposits at March 31, 2005, categorized by level of risk, are as follows:

	Bank Balance	Category			Carrying Amount
		1	2	3	
Deposits with financial institutions	<u>\$116,641</u>	<u>\$100,000</u>	<u>\$ -</u>	<u>\$ 16,641</u>	<u>\$116,210</u>
Totals	<u>\$116,641</u>	<u>\$100,000</u>	<u>\$ -</u>	<u>\$ 16,641</u>	<u>\$116,210</u>

Included in restricted deposits are funds totaling \$746 held on behalf of rental tenants in trust as security deposits and are not available for operating purposes. In addition, the Authority received other restricted funds totaling \$25. These restricted funds are not available for other operating purposes until after March 31, 2005.

**3. Summary of Changes in Fixed Assets**

A summary of changes in fixed assets for the year ended March 31, 2005, is as follows:

	Balance 3/31/2004	Additions	Retirements	Balance 3/31/2005
Land	\$ 91,680	\$ -	\$ -	\$ 91,680
Buildings	969,668	-	-	969,668
Furniture & equipment – dwellings	27,824	1,578	(959)	28,443
Furniture & equipment – administrative	20,562	18,659	(14,313)	24,908
Leasehold improvements	361,939	889	-	362,828
Construction in progress	-	17,500	-	17,500
Total fixed assets	<u>\$ 1,471,673</u>	<u>\$ 38,626</u>	<u>\$ (15,272)</u>	<u>\$ 1,495,027</u>
Accumulated depreciation				<u>(796,078)</u>
Net fixed assets				<u>\$ 698,949</u>

**Emery County Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended March 31, 2005**

**4. Deferred Compensation Plan**

The Authority established a deferred compensation plan on July 1, 1995, under Section 457 of the Internal Revenue Code of 1954. The maximum amount that may be deferred under this plan for the taxable year of the participant may not exceed 10 percent of the participant's annual salary. The payments are expensed when disbursed. Total compensation plan expense for the year ended March 31, 2005 was \$1,647.

The employer shall cause an individual account to be maintained for each full-time employee after one year of employment. At March 31, 2005, there was one plan member. The Authority remits the funds to an insurance company that does the investing for each participant. Annual statements are given to each participant. The plan is in the Authority's name. The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

**5. Economic Dependency**

A substantial portion of the Authority's revenue comes from U.S. Department of Housing and Urban Development. Programs operated by the Housing Authority depend upon continued funding by the U.S. Government.

**6. Risk Management and Concentrations of Credit Risk**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts, which the Authority pays in the event of any loss. The Authority also has purchased a workers' compensation policy. Settled claims resulting from losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Castle Dale and Ferron areas that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

**7. Interprogram Receivables and Payables**

The Authority has interprogram receivables and payables totaling \$58,921 that have been eliminated on the financial statements.

## **Supplementary Schedules**

**Emery County Housing Authority**  
**Financial Data Schedule I - Balance Sheet**  
**March 31, 2005**

PHA: UT015 FYED: 03/31/2005

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$0	\$115,081	\$0	\$358	\$115,439
115	Cash - Restricted for Payment of Current Liabilities	\$25	\$0	\$0	\$0	\$25
114	Cash - Tenant Security Deposits	\$746	\$0	\$0	\$0	\$746
100	Total Cash	\$771	\$115,081	\$0	\$358	\$116,210
122	Accounts Receivable - HUD Other Projects	\$8,000	\$0	\$43,559	\$0	\$51,559
125	Accounts Receivable - Miscellaneous	\$8,045	\$0	\$0	\$0	\$8,045
126	Accounts Receivable - Tenants - Dwelling Rents	\$326	\$0	\$0	\$0	\$326
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$8,371	\$0	\$43,559	\$0	\$59,930
142	Prepaid Expenses and Other Assets	\$3,199	\$0	\$0	\$0	\$3,199
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$43,559	\$14,132	\$0	\$1,230	\$58,921
150	Total Current Assets	\$63,900	\$129,213	\$43,559	\$1,588	\$238,260
161	Land	\$91,680	\$0	\$0	\$0	\$91,680
162	Buildings	\$969,668	\$0	\$0	\$0	\$969,668
163	Furniture, Equipment & Machinery - Dwellings	\$28,443	\$0	\$0	\$0	\$28,443
164	Furniture, Equipment & Machinery - Administration	\$12,969	\$9,065	\$0	\$2,874	\$24,908
165	Leasehold Improvements	\$362,828	\$0	\$0	\$0	\$362,828
166	Accumulated Depreciation	\$-792,610	\$-594	\$0	\$-2,874	\$-796,078
167	Construction In Progress	\$0	\$0	\$17,500	\$0	\$17,500
160	Total Fixed Assets, Net of Accumulated Depreciation	\$672,978	\$8,471	\$17,500	\$0	\$698,949
180	Total Non-Current Assets	\$672,978	\$8,471	\$17,500	\$0	\$698,949
190	Total Assets	\$136,878	\$137,684	\$61,059	\$1,588	\$937,209

**Emery County Housing Authority**  
**Financial Data Schedule I - Balance Sheet (continued)**  
**March 31, 2005**

PHA: UT015 FYED: 03/31/2005

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$2,399	\$1,128	\$0	\$0	\$3,527
321	Accrued Wage/Payroll Taxes Payable	\$1,430	\$4,199	\$0	\$0	\$5,629
322	Accrued Compensated Absences - Current Portion	\$688	\$1,032	\$0	\$0	\$1,720
331	Accounts Payable - HUD PHA Programs	\$0	\$23,645	\$0	\$0	\$23,645
333	Accounts Payable - Other Government	\$33	\$0	\$0	\$0	\$33
341	Tenant Security Deposits	\$4,368	\$0	\$0	\$0	\$4,368
342	Deferred Revenues	\$25	\$0	\$0	\$0	\$25
347	Interprogram Due To	\$14,132	\$1,230	\$43,559	\$0	\$58,921
310	Total Current Liabilities	\$23,075	\$31,234	\$43,559	\$0	\$97,868
354	Accrued Compensated Absences - Non Current	\$7,508	\$11,263	\$0	\$0	\$18,771
350	Total Noncurrent Liabilities	\$7,508	\$11,263	\$0	\$0	\$18,771
300	Total Liabilities	\$30,583	\$42,497	\$43,559	\$0	\$116,639
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$872,978	\$8,471	\$17,500	\$0	\$898,949
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$25	\$0	\$0	\$0	\$25
512.1	Unrestricted Net Assets	\$33,292	\$86,716	\$0	\$1,588	\$121,596
513	Total Equity/Net Assets	\$706,295	\$95,187	\$17,500	\$1,588	\$820,570
600	Total Liabilities and Equity/Net Assets	\$736,878	\$137,684	\$61,059	\$1,588	\$937,209

**Emery County Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Year Ended March 31, 2005**

PHA: UT015 FYED: 03/31/2005

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$8,101	\$0	\$0	\$0	\$8,101
705	Total Tenant Revenue	\$8,101	\$0	\$0	\$0	\$8,101
706	HUD PHA Operating Grants	\$76,670	\$294,062	\$20,000	\$0	\$390,732
706.1	Capital Grants	\$0	\$0	\$17,500	\$0	\$17,500
711	Investment Income - Unrestricted	\$81	\$404	\$0	\$0	\$485
715	Other Revenue	\$1,505	\$0	\$0	\$99	\$1,604
716	Gain/Loss on Sale of Fixed Assets	\$700	\$700	\$0	\$0	\$1,400
700	Total Revenue	\$87,057	\$295,166	\$37,500	\$99	\$419,822



**Emery County Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets (continued)**  
**Year Ended March 31, 2005**

PHA: UT015 FYED: 03/31/2005

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
911	Administrative Salaries	\$23,582	\$36,577	\$0	\$0	\$60,139
912	Auditing Fees	\$1,967	\$3,933	\$0	\$0	\$5,900
914	Compensated Absences	\$2,068	\$2,873	\$0	\$0	\$4,941
915	Employee Benefit Contributions - Administrative	\$13,343	\$13,727	\$0	\$0	\$27,070
916	Other Operating - Administrative	\$8,026	\$16,136	\$0	\$0	\$24,162
931	Water	\$3,690	\$0	\$0	\$0	\$3,690
932	Electricity	\$834	\$0	\$0	\$0	\$834
933	Gas	\$869	\$0	\$0	\$0	\$869
938	Other Utilities Expense	\$2,383	\$0	\$0	\$0	\$2,383
942	Ordinary Maintenance and Operations - Materials and Other	\$6,408	\$0	\$0	\$0	\$6,408
943	Ordinary Maintenance and Operations - Contract Costs	\$43,822	\$1,312	\$0	\$0	\$44,934
961	Insurance Premiums	\$5,799	\$1,078	\$0	\$0	\$6,877
963	Payments in Lieu of Taxes	\$32	\$0	\$0	\$0	\$32
969	Total Operating Expenses	\$112,603	\$75,636	\$0	\$0	\$188,239
970	Excess Operating Revenue over Operating Expenses	\$25,546	\$219,530	\$37,500	\$99	\$231,583
973	Housing Assistance Payments	\$0	\$247,507	\$0	\$0	\$247,507
974	Depreciation Expense	\$40,095	\$594	\$0	\$48	\$40,735
900	Total Expenses	\$152,698	\$323,737	\$0	\$48	\$476,481
1001	Operating Transfers In	\$20,000	\$0	\$0	\$0	\$20,000
1002	Operating Transfers Out	\$0	\$0	\$-20,000	\$0	\$-20,000
1010	Total Other Financing Sources (Uses)	\$20,000	\$0	\$-20,000	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-45,641	\$-28,571	\$17,500	\$53	\$-56,659

**Emery County Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets (continued)**  
**Year Ended March 31, 2005**

PHA: UT015 FYED: 03/31/2005

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$751,936	\$123,758	\$0	\$1,535	\$877,229
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$317,271	\$0	\$0	\$317,271
1114	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$56,242	\$0	\$0	\$56,242
1116	Total Annual Contributions Available	\$0	\$373,513	\$0	\$0	\$373,513
1120	Unit Months Available	288	816	0	0	1,104
1121	Number of Unit Months Leased	263	797	0	0	1,060

**Emery County Housing Authority**  
**Notes to Financial Data Schedule**  
**Year Ended March 31, 2005**

**1. Basis of Presentation**

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

**2. Reconciliation to Basic Financial Statements**

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net loss</u>
Balances per Financial Data Schedules	\$ 937,209	\$ 116,639	\$ 820,570	\$ (56,659)
Elimination of interprogram balances	<u>(58,921)</u>	<u>(58,921)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u>\$ 878,288</u>	<u>\$ 57,718</u>	<u>\$ 820,570</u>	<u>\$ (56,659)</u>

# Child, Sullivan & Company

A Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

1284 W. Flint Meadow Dr., Suite D, Kaysville, UT 84037

PHONE: (801) 927-1337 FAX: (801) 927-1344

## Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners  
Emery County Housing Authority  
Castle Dale, Utah

We have audited the financial statements of the Emery County Housing Authority (the Authority) as of and for the year ended March 31, 2005, and have issued our report thereon dated December 20, 2005. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 05-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Child, Sullivan & Company*

Child, Sullivan & Company

Kaysville, Utah

December 20, 2005

**Emery County Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended March 31, 2005**

Finding 05-1

*Condition:* The security deposit bank account balance in the Low-Rent Public Housing program was insufficient to cover the liability due to the tenants in occupancy at March 31, 2005. The security deposits liability exceeded the security deposits held in trust by \$3,622 at March 31, 2005.

*Criteria:* Per HUD Regulations, maintaining a fully funded security deposit account helps to ensure that management will be able to make refunds to all tenants.

*Effect:* This resulted in the tenant security deposit account being under funded by \$3,622 as of March 31, 2005.

*Cause:* Management failed to maintain the deposit balance as required.

*Recommendation:* We recommend that the Authority take the necessary steps to fully fund the security deposit account.

*Auditee's Response:* See page 30 of this report.

**Emery County Housing Authority**  
**Schedule of Findings and Questioned Costs - Prior Year**  
**Year Ended March 31, 2005**

Finding 04-1

*Condition:* Inherent with the size of the Authority, there is a lack of segregation of duties.

*Criteria:* The Authority should exercise segregation of duties as part of its system of internal controls.

*Cause:* The Authority has one person that performs all accounting functions.

*Effect:* One person could be in the position to both perpetrate and conceal errors or fraud in the normal course of the Authority's activities.

*Recommendation:* We recommend that the Authority continue to maintain the quality of records observed during our audit and implement overriding controls that may mitigate the impact of the lack of segregation.

*Status:* The Authority hired additional personnel during 2005, and delegated certain accounting responsibilities to this individual. This has mitigated the lack of segregation of duties over accounting. The finding does not remain in effect as of March 31, 2005.

Finding 04-2

*Condition:* Of the 10 tenant files tested for compliance with Section 8 Housing Choice Voucher and Public Housing participant eligibility requirements, only 3 contained updated verification forms. The remainder of the tenant files tested did not include disabled household verifications, social security number verifications, income verifications, noncitizens rule paperwork, or recertification notices.

*Criteria:* Applicants and tenants must meet the requirements contained in HUD Handbook 4350.3 to be eligible for occupancy and housing assistance.

*Cause:* The Authority did not update the information necessary to properly determine and document participant eligibility during annual certifications.

*Effect:* Participants who are no longer eligible to participate in federal programs subsidized by HUD may still be receiving assistance.

*Recommendation:* We recommend that the Authority comply with HUD Handbook 4350.3 and perform the procedures necessary to determine participant eligibility during each annual certification and upon notification of change in eligibility during interim periods.

*Status:* Closed.

# Child, Sullivan & Company

A Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

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## Emery County Housing Authority Independent Auditors' Report on State Legal Compliance Year Ended March 31, 2005

Board of Commissioners  
Emery County Housing Authority  
Castle Dale, Utah

We have audited the financial statements of the Emery County Housing Authority (the Authority), for the year ended March 31, 2005, and have issued our report thereon dated December 20, 2005. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management  
Other Compliance Requirements

The Authority did not receive any major or nonmajor State grants during the year ended March 31, 2005.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

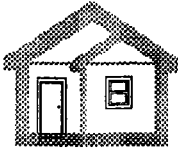
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects, with the general compliance requirements identified above for the year ended March 31, 2005.

*Child, Sullivan & Company*

Child, Sullivan & Company  
Kaysville, UT  
December 20, 2005



## EMERY COUNTY HOUSING AUTHORITY

P.O. Box 551, 95 E. Main St., Rm. 115

Castle Dale, UT 84513

Ph: (435) 381-2902 Fax: (435) 381-5644 Email: [jhs@co.emery.ut.us](mailto:jhs@co.emery.ut.us)

December 30, 2005

Child, Sullivan & Company  
1284 W. Flint Meado Drive, Suite D  
Kaysville, UT 84037

Dear Sirs,

Regarding your findings 05-1 of audit report/Financial Statements of 12/22/2005, our (Auditee's) response is as follows:

Emery County Housing Authority agrees to the finding as valid.

As of December 20, 2005 I have created a separate security deposit account and it is fully funded. All security deposit payments will be deposited directly into this new account, refunds will be made from it as transfers to the revolving account from which checks are drawn and it will be reconciled each quarter with the Security Deposits Ledger.

Sincerely,

John H. Sehestedt,  
Executive Director

